

House Study Bill 61 - Introduced

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CHAIRPERSON KAUFMANN)

A BILL FOR

1 An Act relating to the assessment and valuation of property
2 rented or leased to certain low-income individuals and
3 families and including effective date and retroactive
4 applicability provisions.
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 441.21, subsection 2, Code 2023, is
2 amended to read as follows:

3 2. In the event market value of the property being assessed
4 cannot be readily established in the foregoing manner, then
5 the assessor may determine the value of the property using the
6 other uniform and recognized appraisal methods including its
7 productive and earning capacity, if any, industrial conditions,
8 its cost, physical and functional depreciation and obsolescence
9 and replacement cost, and all other factors which would assist
10 in determining the fair and reasonable market value of the
11 property but the actual value shall not be determined by use
12 of only one such factor. The following shall not be taken into
13 consideration: Special value or use value of the property to
14 its present owner, and the goodwill or value of a business
15 which uses the property as distinguished from the value of
16 the property as property. In addition, for assessment years
17 beginning on or after January 1, 2018, and unless otherwise
18 required for property valued by the department of revenue
19 pursuant to [chapters 428, 433, 437, and 438](#), the assessor
20 shall not take into consideration and shall not request from
21 any person sales or receipts data, expense data, balance
22 sheets, bank account information, or other data related to
23 the financial condition of a business operating in whole or
24 in part on the property if the property is both classified as
25 commercial or industrial property and owned and used by the
26 owner of the business. However, in assessing property that
27 is rented or leased to low-income individuals and families
28 as authorized by section 42 of the Internal Revenue Code,
29 as amended, and which section limits the amount that the
30 individual or family pays for the rental or lease of units
31 in the property, the assessor shall, unless the owner elects
32 to withdraw the property from the assessment procedures for
33 section 42 property, use the productive and earning capacity
34 from the actual rents received as a method of appraisal,
35 including consideration of productive and earning capacity

1 and rents received for years prior to the property being
2 subject to assessment procedures for section 42 property as
3 if the property was residential property, and shall take into
4 account the extent to which that use and limitation reduces
5 the market value of the property. The assessor shall not
6 consider any tax credit equity or other subsidized financing
7 as income provided to the property in determining the assessed
8 value. The property owner shall notify the assessor when
9 property is withdrawn from section 42 eligibility under the
10 Internal Revenue Code or if the owner elects to withdraw the
11 property from the assessment procedures for section 42 property
12 under [this subsection](#). The property shall not be subject to
13 section 42 assessment procedures for the assessment year for
14 which section 42 eligibility is withdrawn or an election is
15 made. This notification must be provided to the assessor no
16 later than March 1 of the assessment year or the owner will
17 be subject to a penalty of five hundred dollars for that
18 assessment year. The penalty shall be collected at the same
19 time and in the same manner as regular property taxes. An
20 election to withdraw from the assessment procedures for section
21 42 property is irrevocable. Property that is withdrawn from
22 the assessment procedures for section 42 property shall be
23 classified and assessed as residential property unless the
24 property otherwise fails to meet the requirements of subsection
25 14. Upon adoption of uniform rules by the department of
26 revenue or succeeding authority covering assessments and
27 valuations of such properties, the valuation on such properties
28 shall be determined in accordance with such rules and in
29 accordance with forms and guidelines contained in the real
30 property appraisal manual prepared by the department as updated
31 from time to time for assessment purposes to assure uniformity,
32 but such rules, forms, and guidelines shall not be inconsistent
33 with or change the foregoing means of determining the actual,
34 market, taxable and assessed values.

35 Sec. 2. Section 441.21, subsection 14, paragraph c, Code

1 2023, is amended to read as follows:

2 *c.* Property that is rented or leased to low-income
3 individuals and families as authorized by section 42 of the
4 Internal Revenue Code, and that has not been withdrawn from
5 section 42 assessment procedures under **subsection 2** of this
6 section, ~~or a hotel, motel, inn, or other building where rooms~~
7 ~~or dwelling units are usually rented for less than one month~~
8 shall not be classified as residential property under this
9 subsection and are subject to assessment under subsection 2.

10 Sec. 3. Section 441.21, subsection 14, Code 2023, is amended
11 by adding the following new paragraph:

12 NEW PARAGRAPH. *od.* Property that is a hotel, motel, inn, or
13 other building where rooms or dwelling units are usually rented
14 for less than one month shall not be classified as residential
15 property under this subsection.

16 Sec. 4. EFFECTIVE DATE. This Act, being deemed of immediate
17 importance, takes effect upon enactment.

18 Sec. 5. RETROACTIVE APPLICABILITY. This Act applies
19 retroactively to assessment years beginning on or after January
20 1, 2022.

21 EXPLANATION

22 The inclusion of this explanation does not constitute agreement with
23 the explanation's substance by the members of the general assembly.

24 Under Code section 441.21(2), in assessing property that
25 is rented or leased to low-income individuals and families as
26 authorized by section 42 of the Internal Revenue Code, unless
27 the owner elects to withdraw the property from the assessment
28 procedures for section 42 property, the assessor shall use
29 the productive and earning capacity from the actual rents
30 received as a method of appraisal and shall take into account
31 the extent to which that use and limitation reduces the market
32 value of the property. This bill provides that consideration
33 of such productive and earning capacity and rents received
34 for years prior to the property being subject to assessment
35 procedures for section 42 property shall be as if the property

1 was residential property. The bill also makes corresponding
2 changes to other provisions relating to property subject to
3 such assessment procedures.

4 The bill takes effect upon enactment and applies
5 retroactively to assessment years beginning on or after January
6 1, 2022.